



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR FORCE SPACE COMMAND

19 Oct 98

MEMORANDUM FOR SEE DISTRIBUTION

FROM: HQ AFSPC/LGC
150 Vandenberg St Ste 1105
Peterson AFB CO 80914-4350

SUBJECT: INFO.LTR 99-06, Cost Reimbursement CLINs and Award Fees in FAR Part 12 Acquisitions

1. This information letter, INFO.LTR 99-06, is directive in nature for all AFSPC contracting offices and is issued under Special Publication System, AFSPC 64-101, for Specialized Contracting Publications.
2. There have been a lot of questions about whether cost reimbursement CLINs can be used on FAR Part 12 acquisitions. FAR 12.207 states "Agencies shall use firm-fixed-price contracts or fixed-price contracts with economic price adjustment for the acquisition of commercial items." The AFSPC interpretation of this is that the overall contract type is firm-fixed-price even if it includes a cost reimbursable CLIN. However, cost reimbursement CLINs may only be used on a FAR Part 12 acquisition when the following conditions apply:
 - a. Market research established that cost reimbursement provisions are standard commercial practice for the particular items/services to be covered under the cost reimbursement CLIN.
 - b. The items/services to be covered by the cost reimbursable CLIN cannot be forecasted with any degree of accuracy.
 - c. The total value of the cost reimbursement CLIN must not be a significant portion of the total contract price (i.e. 5-10%).
3. Since FAR Part 12 acquisitions cannot be audited for close-out, any overhead or handling fees should be included in the fixed-price CLIN versus in the cost reimbursement CLIN. For the same reasons, loaded labor rates should be established at the time of award for any labor costs that will not be subcontracted (labor-hour). The reasonableness of these costs can then be established at award and there will be no need to rely on audits for close-out.
4. The question has also been asked whether award fees may be included in FAR Part 12 acquisitions. The answer is yes.
5. If you have questions on any of the above, contact Ms. Barbara Bumby at DSN 692-5251.


ERIC M. HODGES, Lt Col, USAF
Chief, Policy/Clearance Branch

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